

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): March 17, 2010

WPCS INTERNATIONAL INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-26277
(Commission
File Number)

98-0204758
(IRS Employer
Identification No.)

One East Uwchlan Avenue, Suite 301, Exton, PA 19341
(Address of principal executive offices)

Registrant's telephone number, including area code: (610) 903-0400

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 Results of Operations and Financial Condition

On March 17, 2010, WPCS International Incorporated (the "Company") announced its operating results for the third fiscal quarter ended January 31, 2010. A copy of the press release that discusses this matter is filed as Exhibit 99.1 to, and incorporated by reference in, this report. The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in any such filing.

ITEM 7.01 Regulation FD Disclosure.

On March 17, 2010, the Company held an earnings conference call to discuss its unaudited financial results for the third quarter ended January 31, 2010. The script of the earnings conference call is attached hereto as Exhibit 99.2 and is incorporated by reference into this Item 7.01.

ITEM 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release, dated March 17, 2010, issued by WPCS International Incorporated.

99.2 Script of March 17, 2010 Earnings Conference Call.

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 17, 2010

WPCS INTERNATIONAL INCORPORATED

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer

WPCS Reports FY2010 Third Quarter Financial Results

EXTON, PA - (PR Newswire - First Call - March 17, 2010) -WPCS International Incorporated (NASDAQ: WPCS), a leader in design-build engineering services for communications infrastructure, today announced financial results for the third quarter of fiscal year 2010 ended January 31, 2010. For the third quarter, WPCS reported revenue of \$27.0 million compared to \$25.3 million for the same period a year ago. WPCS reported net income of \$71,000 or \$0.01 per diluted share for the third quarter compared to \$178,000 or \$0.03 per diluted share for the same period a year ago. Year to date through the nine months ended January 31, 2010 WPCS reported revenue of \$76.6 million compared to \$82.4 million for the same period a year ago. For the nine month period, the reported net income was \$843,000 or \$0.12 per diluted share compared to net income of \$1.4 million or \$0.19 per diluted share for the same period a year ago.

Andrew Hidalgo, CEO of WPCS, commented, "The third quarter results were below our expectations from an earnings perspective. The primary reason behind the lower than expected earnings was a delay in bid to backlog conversion and a project cost overrun. However, there is positive news to report. At the end of the third quarter, the company reported a backlog of \$49 million which is an increase of 75% over the previous quarter. WPCS also has a bid list of \$186 million. The backlog increase gives us the opportunity to improve earnings in the quarters ahead. In fact, the \$38 million of new projects we have announced in the first two months of calendar year 2010 is more than we announced in the first seven months of calendar year 2009. Due to the delay in converting bids to backlog, WPCS is revising its estimates for the fiscal year ending April 30, 2010. We project our revenue will be in the range of \$102 million to \$106 million, our net income in the range of \$1.2 million to \$1.4 million and \$0.17 to \$0.20 in earnings per diluted share. WPCS continues to maintain a healthy balance sheet with \$4 million in cash, \$20.9 million in working capital and \$5.6 million in credit line borrowings. Our credit line borrowing to working capital ratio remains favorably low at 27%. The \$2 million paid towards The Pride Group acquisition contributed to a lower cash position in the third quarter. We are also pleased to announce that Bank of America has approved the renewal of our \$15 million credit facility for another three years. In summary, through these challenging economic times, WPCS has continued to deliver profitable results but we are committed to improving earnings. We believe the recent growth in backlog is a positive sign of better quarters ahead."

As a reminder, there will be an investor conference call at 5:00 pm ET today. To participate on the conference call, please dial 888-299-4099 for calls within the U.S. and 302-709-8337 for calls from international locations. Upon reaching the operator, verbally transmit the participant code VH58841. When the overview concludes, your questions can be asked by pressing *1 and your questions can be removed from the queue by pressing the number sign. Replays of the conference call will be available for a period of five days by dialing 402-220-2946 and using 58841 # as the pass code.

About WPCS International Incorporated:

WPCS is a design-build engineering company that focuses on the implementation requirements of communications infrastructure. The company provides its engineering capabilities including wireless communication, specialty construction and electrical power to the public services, healthcare, energy and corporate enterprise markets worldwide. For more information, please visit www.wpcs.com

Statements about the company's future expectations, including future revenue and earnings and all other statements in this press release, other than historical facts, are "forward looking" statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and are subject to change at any time. The company's actual results could differ materially from expected results. In reflecting subsequent events or circumstances, the company undertakes no obligation to update forward looking statements.

CONTACT:

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WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2010	2009	2010	2009
REVENUE	\$ 26,972,380	\$ 25,323,422	\$ 76,557,723	\$ 82,358,634
COSTS AND EXPENSES:				
Cost of revenue	20,561,172	18,369,219	55,471,468	59,975,397
Selling, general and administrative expenses	5,660,707	5,904,094	17,800,852	17,787,254
Depreciation and amortization	662,705	614,699	1,970,848	1,954,880
Total costs and expenses	26,884,584	24,888,012	75,243,168	79,717,531
OPERATING INCOME	87,796	435,410	1,314,555	2,641,103
OTHER EXPENSE (INCOME):				
Interest expense	53,294	85,480	193,931	333,764
Interest income	(5,821)	(3,042)	(9,352)	(51,155)
INCOME BEFORE INCOME TAX PROVISION	40,323	352,972	1,129,976	2,358,494
Income tax (benefit) provision	(12,253)	101,036	480,434	845,240
NET INCOME	52,576	251,936	649,542	1,513,254
Less: Net (loss) income attributable to noncontrolling interest	(18,250)	73,840	(192,988)	135,037
NET INCOME ATTRIBUTABLE TO WPCS	\$ 70,826	\$ 178,096	\$ 842,530	\$ 1,378,217
Basic net income per common share attributable to WPCS	\$ 0.01	\$ 0.03	\$ 0.12	\$ 0.19
Diluted net income per common share attributable to WPCS	\$ 0.01	\$ 0.03	\$ 0.12	\$ 0.19
Basic weighted average number of common shares outstanding	6,944,032	7,077,249	6,942,855	7,193,138
Diluted weighted average number of common shares outstanding	6,968,587	7,077,249	6,966,054	7,213,744

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	January 31,	April 30,
	2010	2009
	<u>(Unaudited)</u>	<u>(Note 1)</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,973,653	\$ 6,396,810
Accounts receivable, net of allowance of \$96,051 and \$155,458 at January 31, 2010 and April 30, 2009, respectively	27,539,260	25,662,784
Costs and estimated earnings in excess of billings on uncompleted contracts	6,176,827	5,229,043
Inventory	2,973,199	2,481,383
Prepaid expenses and other current assets	1,470,810	1,674,952
Prepaid income taxes	306,933	295,683
Deferred tax assets	299,481	70,413
Total current assets	<u>42,740,163</u>	<u>41,811,068</u>
PROPERTY AND EQUIPMENT, net	6,521,029	6,668,032
OTHER INTANGIBLE ASSETS, net	2,204,955	1,983,879
GOODWILL	34,914,822	32,549,186
OTHER ASSETS	<u>132,589</u>	<u>132,948</u>
Total assets	<u>\$ 86,513,558</u>	<u>\$ 83,145,113</u>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES AND EQUITY	January 31, 2010	April 30, 2009
	<u>(Unaudited)</u>	<u>(Note 1)</u>
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 89,401	\$ 89,210
Borrowings under line of credit	5,626,056	5,626,056
Current portion of capital lease obligations	88,317	96,001
Accounts payable and accrued expenses	9,076,906	8,997,296
Billings in excess of costs and estimated earnings on uncompleted contracts	2,334,186	2,511,220
Deferred revenue	646,403	507,650
Due to shareholders	<u>3,947,559</u>	<u>2,951,008</u>
Total current liabilities	21,808,828	20,778,441
Due to shareholders, net of current portion	803,722	-
Loans payable, net of current portion	38,654	71,634
Capital lease obligations, net of current portion	87,508	151,425
Deferred tax liabilities	<u>1,737,619</u>	<u>1,467,971</u>
Total liabilities	<u>24,476,331</u>	<u>22,469,471</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock - \$0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock - \$0.0001 par value, 25,000,000 shares authorized, 6,948,516 and 6,942,266 shares issued and outstanding at January 31, 2010 and April 30, 2009, respectively	700	694
Additional paid-in capital	50,301,320	50,175,479
Retained earnings	10,223,719	9,381,189
Accumulated other comprehensive income (loss) on foreign currency translation	<u>352,956</u>	<u>(321,798)</u>
Total WPCS shareholders' equity	60,878,695	59,235,564
Noncontrolling interest	<u>1,158,532</u>	<u>1,440,078</u>
Total equity	<u>62,037,227</u>	<u>60,675,642</u>
Total liabilities and equity	<u>\$ 86,513,558</u>	<u>\$ 83,145,113</u>

Note 1. Certain reclassifications have been made to prior period financial statements to conform to current presentation.

[OPERATOR]

Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the WPCS International Incorporated fiscal year 2010 third quarter investor conference call. Your host for today's call is Andy Hidalgo, chairman and CEO of WPCS International Incorporated. Before I turn the call over to Mr. Hidalgo, please be advised that the participants on today's call will be in a listen only mode until Mr. Hidalgo has concluded his opening remarks. Upon conclusion of the opening remarks, there will be a question and answer session.

In addition, we would like to note that statements about the company's future expectations, including future revenue and earnings and all other statements made during this investor conference call, other than historical facts, are forward looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and are subject to change at any time. The company's actual results could differ materially from expected results. In reflecting subsequent events or circumstances, the company undertakes no obligation to update forward looking statements. I will now turn the call over to Mr. Hidalgo.

[ANDY HIDALGO]

Good afternoon ladies and gentlemen and welcome to our fiscal year 2010 third quarter investor conference call. The agenda for today's call will include a discussion of our third quarter financial results and our fiscal year 2010 financial expectations. In addition, I will discuss market conditions and conclude with a review of our strategic development.

During our fiscal year 2010 third quarter ended January 31, 2010, WPCS reported net income of \$71,000 or earnings of \$0.01 per diluted share compared to net income of \$178,000 or earnings of \$0.03 per diluted share during the same period last year. For the first nine months of fiscal year 2010 ended January 31, 2010, WPCS reported net income of \$843,000 or earnings of \$0.12 per diluted share compared to net income of \$1.4 million or earnings of \$0.19 per diluted share during the same period last year.

Revenue for the third quarter was \$27.0 million compared to \$25.3 million during last year's third quarter. Revenue for the first nine months of fiscal year 2010 was \$76.6 million compared to \$82.4 million during the same period last year. The revenue segmentation during the first nine months of this fiscal year was 29% wireless communication, 12% specialty construction and 59% electrical power.

Consolidated gross margin during the third quarter was 24% compared to 27% during the same period last year. The third quarter decrease in gross margin was due primarily to a cost overrun on a recently completed project and also the blend of work performed during the quarter. Through the first nine months of fiscal year 2010, the consolidated gross margin has averaged 28% compared to 27% for the same period in the prior year. SG&A expense as a percent of revenue for the third quarter was approximately 21% compared to 23% for the same period last year. For the first nine months of fiscal year 2010, SG&A was 23% compared to 22% for the same period last year.

WPCS continues to maintain a healthy balance sheet with \$4 million in cash, \$20.9 million in working capital and \$5.6 million of credit line borrowings. Our credit line borrowing to working capital ratio remains favorably low at 27%. We continue to view this ratio as an important indicator of our financial strength and ability to finance our growth from our operations. The \$2 million paid towards the acquisition of The Pride Group contributed to a lower cash position in the third quarter. Accounts receivable collections remain stable with DSOs averaging 72 days, which is within our expectations. As of January 31, 2010, WPCS had a backlog of approximately \$49 million and a bid list of \$186 million. We are pleased to announce that Bank of America has approved the renewal of our \$15 million credit facility for three more years.

The third quarter earnings results were below our expectations. In our guidance planning for fiscal year 2010 ending April 30, 2010, we were looking to achieve approximately \$0.06 in earnings per diluted share for the third quarter and \$0.14 in earnings per diluted share for the fourth quarter. The third quarter results did not materialize as planned. The primary reasons we did not achieve our earnings estimates in the quarter were due to a delay in bids to backlog conversion and lower gross margins from a cost overrun on a recently completed project.

In regards to the bids to backlog conversion, this has been an obstacle all year. However, there is positive news to report. WPCS was finally able to see a significant conversion in early January when we announced \$30 million in new projects. We believe that these projects will help us produce healthier results in the quarters ahead. WPCS has continued to see a further conversion of bids to backlog with our recent announcement of another \$8 million of new projects. In total, the \$38 million in new projects that we have announced in the first two months of calendar year 2010 is more than we announced in the first seven months of calendar year 2009. The fact that we are seeing more bids awarded is a positive indication that business conditions are improving which we believe will give us the momentum we need to begin to produce much better earnings in the future.

Due primarily to the delay this fiscal year in converting bids to backlog WPCS is revising its guidance for fiscal year 2010. From a revenue perspective, our initial guidance was \$112 million and we are revising this estimate to a range of \$102 million to \$106 million. From an earnings perspective, our initial guidance was a net income range of \$2.2 million to \$2.4 million and \$0.31 to \$0.34 in earnings per diluted share. We are revising these estimates to a net income range of \$1.2 million to \$1.4 million and \$0.17 to \$0.20 in earnings per diluted share. This means that our fourth quarter earnings expectation is a range of \$0.05 to \$0.08 in earnings per diluted share.

Certainly we are not pleased that we have to revise estimates but the delay in converting bids to backlog this fiscal year has had an unfavorable impact on earnings. However I want to emphasize that the backlog has grown from approximately \$28 million at the end of the second quarter to \$49 million at the end of the third quarter which represents a 75% increase.

WPCS has a simple revenue producing model. To recognize revenue, we need backlog and to generate backlog, we need bids. Therefore, our ability to deliver increased earnings depends on a solid backlog and bid list. At the end of the third quarter, we had a healthy backlog and bid list. Specifically, we believe that the growth in backlog at the end of the third quarter will give us the opportunity for improved earnings in the quarters ahead.

Keep in mind that WPCS continues to generate profitability through these challenging economic times. Our strategy of focusing on the public services, healthcare, energy and international markets combined with cost efficiencies from our operations continues to be a solid foundation for our business. We believe that there are many opportunities ahead for WPCS. In public services, fiscal stimulus funding allocations are finally making their way to state and local government as evidenced by our recent announcements of new projects. The healthcare market is upgrading their communications infrastructure at a moderate pace but it is anticipated that spending allocations will grow once we have legislative certainty on healthcare reform. The energy sector is also poised for growth as energy companies explore ways to deliver basic energy more efficiently and develop new renewable energy methods. Lastly, our international business in Australia and China is showing growth potential as these two economies are doing well. As we have stated in the past, the market for communications infrastructure remains active. Communications technology remains a critical component of connecting the global economy and customers have come to depend on WPCS for complete design-build capability.

In regards to our strategic development, WPCS is focused on organic growth opportunities but we continue to look for acquisitions that can strengthen our engineering capability, add to our customer base and expand our geographic scope.

In conclusion, the management team believes that we are now in a stronger position to deliver better earnings in the quarters ahead. We remain optimistic and excited about our future opportunities. Most importantly, we will continue to diligently focus on building shareholder value. I would like to now turn the call over to the operator to begin the question and answer session.

[OPERATOR]

We will now begin the question and answer session. You can submit your question by pressing *1 and can be removed from the queue by pressing the # sign.

If there are no further questions, I would like to thank all the participants on today's WPCS International Incorporated fiscal year 2010 third quarter investor conference call. Please keep in mind that a replay of this investor conference call will be available for a period of five days by dialing 402-220-2946 and entering 58841 # as the program identification number. This will conclude the call.